

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 PM-04 SSO-00 NSCE-00 INRE-00 NSC-05

SP-02 SS-15 CIAE-00 INR-07 NSAE-00 L-03 H-02 OMB-01

EB-07 TRSE-00 AID-05 IGA-02 NEAE-00 MC-02 /066 W

----- 000816

O 261130Z AUG 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC IMMEDIATE 6074

INFO SECDEF WASHDC//ISA//IMMEDIATE//

USCINCEUR VAIHINGEN GER//IMMEDIATE//

CDR MICOM REDSTONE ARSENAL AL//DRCPPM-KMS//IMMEDIATE//

C O N F I D E N T I A L KUWAIT 4081

E.O. 11652: GDS

TAGS: MASS, KU

SUBJ: FMS CASE UCY: GOK COUNTERPROPOSAL

REF: (A) KUWAIT 3804, (B) KUWAIT 3873, (C) STATE 203090

1. FOLLOWING UP AMBASSADOR'S DISCUSSION AUGUST 10 WITH DEFMIN SHEIKH SA'AD (REF A) AND EXCHANGE OF CORRESPONDENCE WITH HIM REGARDING CASE UCY, DESCRIBED REF B, CDR MICOM REPS (COL SMALL AND LTC FARRIS), CHIEF USLOK (COL DEWITT), AND EMBOFF (SWEANY) MET WITH GOK JOINT COMMITTEE COMPOSED OF MINDEF AND FINMIN REPS AUG 21 AND 22. JOINT COMMITTEE MEMBERS AT THESE MEETINGS INCLUDED MOD UNDERSEC, ABDUL RAZZAK YOUSEF AL KHAMIS AND MINFIN DIRECTOR OF BANKING AND INVESTMENTS, KHALID ABU SA'OD. KUWAITI SIDE REPEATEDLY TRIED TO NEGOTIATE LOWER PRICES FOR VARIOUS ELEMENTS OF CASE UCY, BUT US SIDE HELD FIRM ON VALUE OF CASE AND ALL ITS ELEMENTS AS INSTRUCTED REF C. US SIDE ALSO UNDERLINED NEED TO SIGN CASE BY AUGUST 31 DEADLINE. THESE TWO MEETINGS WERE INCONCLUSIVE, AND, AT END OF SECOND ONE, GOK REPS PROMISED TO CONSULT WITH SUPERIORS AND TO PROVIDE US SIDE WITH GOK POSITION ON CASE UCY BY AUGUST 23. GOK REPLY WAS NOT FORTHCOMING, HOWEVER, UNTIL AUG 26, WHEN DEWITT AND

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SWEANY WERE SUMMONED TO MOD FOR BRIEF MEETING. (MICOM REPS

DEPARTED KUWAIT AUG 25 FOR US DUE TO OTHER COMMITMENTS.)

2. AT AUG 26 MEETING, GOK ORALLY PRESENTED COUNTERPROPOSAL (REPORTED IN SEPTEL) WHICH WAS UNFORTUNATELY NOT FULLY ELABORATED. GOK OFFERED ESSENTIALLY TO RETURN TO ORIGINAL UCY CASE PROPOSAL (PRESENTED IN JAN 1976 AND COSTING \$55.4 MILLION) RECOMPUTED ON BASIS OF CURRENT UCY CASE UNDER DISCUSSION. BASIC APPROACH OF KUWAITI COUNTERPROPOSAL SHOWS APPARENT WILLINGNESS TO PURCHASE ALL OF THE ELEMENTS OF CURRENT CASE UCY AT THE PRICE OFFERED WITH THE ADDITION OF THOSE ELEMENTS REMOVED FROM THE ORIGINAL CASE (HOUSING, TRANSPORTATION, PAYMENT OF THIRD COUNTRY NATIONALS) WHICH GOK HAD PROPOSED TO FUND AS AID-IN-KIND UNDER PRESENT CASE (\$42.4 MILLION). HOWEVER, GOK WANTS TOTAL PRICE OF CASE TO BE COMPUTED AT "AROUND \$50 MILLION." THERE WOULD BE SOME QUALITATIVE DIFFERENCES, EXPLAINED IN DETAIL IN SEPTEL, WHICH ACCORDING TO GOK CALCULATION, WOULD ENABLE A NEW CASE TO BE COSTED SOME \$5 MILLION LOWER THAN THE ORIGINAL CASE.

3. EMBOFFS LISTENED TO GOK COUNTERPROPOSAL AND, WHILE MAKING NO COMMITMENT, INDICATED THEY WOULD SEEK TO HAVE COUNTERPROPOSAL REVIEWED BY AUTHORITIES CONCERNED. (FYI: CHIEF USLOK HAD RECEIVED ADVANCE INDICATION OF NATURE OF COUNTERPROPOSAL LATE AUG 25 AND ASKED RAYTHEON REP PRESENT IN KUWAIT TO CHECK WITH HIS COMPANY TO OBTAIN ITS PRELIMINARY REACTION TO PROPOSAL TO RETURN TO ORIGINAL CASE. END RYI.)

4. WHILE THERE IS UNDOUBTEDLY NEED FOR SOME RECOMPUTATION AND UPDATING OF CERTAIN ELEMENTS COMPOSING ORIGINAL UCY CASE, FROM INFORMATION WE HAVE AVAILABLE HERE, WE BELIEVE A NEW UCY CASE, RECONSTRUCTED ON THE BASIS OF THE CURRENT CASE, WITH THE RESTORATION OF ELEMENTS FROM THE ORIGINAL CASE, COULD BE PRICED AROUND THE \$50 MILLION FIGURE. WE WOULD REGARD SUCH A CASE AS REPRESENTING A QUALITATIVE IMPROVEMENT OVER THE CURRENT CASE SINCE RAYTHEON WOULD NOT BE DEPENDENT ON POSSIBLY INEFFICIENT AND UNSATISFACTORY GOK PERFORMANCE IN HOLDING UP ITS END IN AID-IN-KIND SUPPORT OF CASE UCY. TO HAVE FULL CONTROL OF HOUSING, TRANSPORTATION AND HIRING WOULD SEEM TO BE VERY MUCH IN RAYTHEON'S INTEREST.

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5. SINCE AMBASSADOR HAS STRESSED IMPORTANCE OF AUG 31 DEADLINE AND FACT THAT DELAY BEYOND THAT DATE WOULD AFFECT SCHEDULE FOR DEPLOYMENT OF IHAWK SYSTEM, WE WOULD LIKE TO BRING THIS AFFAIR TO THE CONCLUSION BY THAT DATE. THEREFORE, EMBASSY REQUESTS PROMPT ACTION BE INSTITUTED TO RECONSTRUCT CASE UCY SO THAT IT WOULD REACH EMBASSY BY AUG 28 FOR IMMEDIATE PRESENTATION TO MOD. IF DECISION IS TO STICK WITH CURRENT CASE OFFER, THEN EMBASSY SHOULD BE NOTIFIED ASAP SO WE CAN

TRY AGAIN TO OBTAIN GOK AGREEMENT BEFORE AUG 31.  
MAESTRONE

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